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India

Grain and Feed

Wheat Update - April 2004

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Report Highlights:

Post revises 2004 wheat harvest down to 73 million tons due to yield reductions caused by unusually high temperatures during the crop maturation stage. While Post continues to forecast MY 2004/05 exports at 2 million tons, MY 2003/04 exports are revised upward to 6.4 million tons, based on shipping data compiled from private sources.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1]
[IN]

High Pre-harvest Temperatures Temper Production

India's 2004 wheat production, which is currently being harvested, is revised downward to 73 million tons from Post's February forecast of 76 million tons because of the high temperatures during March and April in major wheat growing regions. The unusually warm weather at the crop maturation stage has reportedly caused a reduction in potential yields, ranging from 3 percent in the major surplus regions of Punjab, Haryana, and western parts of Uttar Pradesh to 15 percent in Bihar and eastern parts of Uttar Pradesh, where wheat is typically planted late. The early-planted wheat crop in central India, however, remains mostly unaffected. The temperature-induced early maturation of the crop advanced wheat harvesting by almost two weeks and is likely to affect grain quality.

Government Procurement Likely to be Lower

The decline in wheat production is likely to adversely affect government wheat procurement, despite an initial surge due to the early harvest. The government has reportedly procured around 7.6 million tons of wheat up to April 15, 2004, compared with 4 million tons procured during the corresponding period of last year. However, total procurement during this marketing year (Apr-Mar) is likely to be only 17-18 million tons against the government's earlier expectation of over 20 million tons. With the private trade showing very little interest, the government is buying most of the wheat arriving in the grain markets (*mandis*) in northern India at the support price of rs. 6,300 (\$143) per metric ton.

Stocks Decline Sharply

Government wheat stocks declined sharply to 8.6 million tons on March 1, 2004, from 18.6 million tons a year ago. Stocks on April 1, 2004, are likely to be around 6.5 million tons, which although above the government's required minimum buffer stock level of 4 million tons, is the lowest since 1998. Lower stocks, combined with likely lower than expected wheat procurement should discourage the government from allocating large quantities of wheat for exports at subsidized prices, although the government is reportedly considering providing an allegedly WTO compatible subsidy to exporters.

MY 2003/04 Exports Surge

Although the government discontinued making fresh allocations of wheat for exports in August 2003, it continued to allocate large quantities against earlier contracts. As a result, exports during MY 2003/04 (Apr – Mar) reached around 6.4 million metric tons (including land movement to Bangladesh), against Post's earlier estimate of 5 million tons. On a July – June basis, exports in 2003/04 are estimated at 5.5 million tons. However, exports are forecast to decline sharply in MY 2004/05 for reasons explained earlier, namely lower government stocks and likely below expected procurement. Post continues to forecast MY 2004/05 exports at 2 million tons.

Table 1: Government Procurement, Stocks, and Offtake of Wheat (a year ago)
(million metric tons)

	Stocks	Procurement Cumulative	Imports	Offtake *
Jan 1, 2003	28.8 (32.4)			2.4 (2.0)
Feb 1	# 21.3 (30.2)			2.7 (1.9)
Mar 1	18.6 (28.5)	19.0 (20.6) 1/		2.9 (1.7)
Apr 1	15.7 (26.0)			1.6 (1.1)
May 1	26.0 (38.1)			1.9 (1.3)
Jun 1	26.6 (41.3)			2.3 (1.6)
Jul 1	24.2 (41.1)			2.3 (1.5)
Aug 1	22.4 (39.7)			1.7 (2.4)
Sep 1	20.7 (37.9)			2.3 (2.2)
Oct 1	18.4 (35.6)			2.0 (2.3)
Nov 1	16.4 (33.1)			1.8 (1.7)
Dec 1	14.6 (31.3)			1.9 (2.4)
Jan 1, 2004	12.7 (28.8)			1.7 (2.4)
Feb 1	11.0 (21.3)			2.4 (2.7)
Mar 1	8.6 (18.6)	15.8 (19.0) 2/		

* Includes exports

1/ Cumulative procurement: April 1, 2002 to March 31, 2003

2/ Cumulative procurement: April 1, 2003 to March 31, 2004

The sharp decline in stocks was attributed to "accounting errors"

Table 2: Commodity, Wheat, PSD

PSD Table							
Country:	India						
Commodity:	Wheat						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Apr-02		Apr-03		Apr-04	(MONTH/YEAR)
Area Harvested	25,900	25,900	25,900	25,900	27,300	27,300	(1000 Hectares)
Beginning Stocks	23,000	23,000	15,700	15,700	6,500	6,500	(1000 MT)
Production	71,810	71,810	65,100	65,100	76,000	73,000	(1000 MT)
TOTAL Mkt. Yr. Imports	34	34	20	20	20	20	(1000 MT)
Jul-Jun Imports	19	19	20	20	20	20	(1000 MT)
Jul-Jun Import U.S.	10	10	0	0	0	0	(1000 MT)
TOTAL SUPPLY	94,844	94,844	80,820	80,820	82,520	79,520	(1000 MT)
TOTAL Mkt. Yr. Exports	4,850	5,300	5,000	6,400	2,000	2,000	(1000 MT)
Jul-Jun Exports	5,350	6,100	4,000	5,500	2,000	2,000	(1000 MT)
Feed Dom. Consumption	600	600	600	600	500	500	(1000 MT)
TOTAL Dom. Consumption	74,294	73,844	69,320	67,920	73,520	70,020	(1000 MT)
Ending Stocks	15,700	15,700	6,500	6,500	7,000	7,500	(1000 MT)
TOTAL DISTRIBUTION	94,844	94,844	80,820	80,820	82,520	79,520	(1000 MT)